

Message Text

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INFO OCT-01 ISO-00 EURE-00 SSO-00 NSCE-00 USIE-00 INRE-00

ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00

EB-07 FEAE-00 FPC-01 H-02 INR-07 INT-05 L-02 NSAE-00

NSC-05 OMB-01 PM-03 SAM-01 OES-03 SP-02 SS-15 STR-04

TRSE-00 FRB-03 EA-06 IO-10 NEA-09 OPIC-03 LAB-04

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O 221349Z APR 75

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TO SECSTATE WASH DC IMMEDIATE 6681

C O N F I D E N T I A L SECTION 01 OF 03 OECD PARIS 10173

FOR FSE (BOSWORTH)

E.O. 11652: GDS

TAGS: ENRG, OECD

SUBJECT: IEA: BACKGROUND DOCUMENTS FOR APRIL 28-30
SLT MEETING

BEGIN TEXT

PROPOSAL FOR THE CREATION OF A JOINT ENERGY INVESTMENT
GROUP
(WORKING PAPER PREPARED BY THE TURKISH DELEGATION)

1. INITIALLY THIS PAPER WAS SUBMITTED TO THE SLT UNDER
THE TITLE OF A "PROPOSAL FOR A JOINT ENERGY INVESTMENT
BANK". HOWEVER, AS OTHER PROPOSALS WERE ALSO PRESENTED
FOR SCHEMES SUCH AS CONSORTIA OR GUARANTEES FOR INVEST-
MENTS, IT IS NOW REDESIGNED AND RETITLED AS THE PROPOSAL
FOR A "JOINT ENERGY INVESTMENT GROUP". THIS MODIFIED
VERSION WAS PREPARED WITH THE PURPOSE OF PROPOSING A
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WORKABLE AND EFFICIENT MECHANISM FOR THE ACCELERATED

DEVELOPMENT OF ALTERNATIVE ENERGY RESOURCES IN A GENERAL "UMBRELLA" ARRANGEMENT WHICH COULD BECOME A FRAME FOR ALL OTHER SCHEMES PROPOSED IN THIS CONTEXT AS WELL.

FORUM FOR PREPARATIONS

2. IT IS EXPECTED THAT THE FOLLOWING MECHANISM WILL BE STUDIED AND FURTHER DEVELOPED IN THE RELEVANT GROUPS, AIMING AT A POLITICAL DECISION TO BE TAKEN BY THE GOVERNING BOARD IN THIS RESPECT.

A. THE FIRST STEP: PROJECT LISTS

3. ALL INTERESTED GOVERNMENTS OR FIRMS WILL SUBMIT THEIR ENERGY DEVELOPMENT INVESTMENT PROJECTS WITH COMPLETED PRE-FEASIBILITY STUDIES TO THE ACCELERATED ENERGY DEVELOPMENT AD HOC GROUP OF THE SLT.

SELECTION OF THE FIRST WAVE OF PROJECTS

4. THE FIRST WAVE ON WHICH INTENSIFIED EFFORTS AND RESOURCES WILL BE CHanneled WOULD BE THOSE PROJECTS WHICH ARE STILL FEASIBLE AND VIABLE AROUND PRE-CRISIS PRICE LEVELS. PROJECTS WHICH WOULD THEN BE TAKEN UP IN THE FOLLOWING WAVES WOULD BE THOSE THAT ARE FEASIBLE AND VIABLE AT GRADUALLY HIGHER LEVELS.

INFORMATION FLOW FOR SUPPLIERS

5. AS SOON AS A PROJECT IS SELECTED AS IN PARAGRAPH 4 ABOVE, DETAILED INFORMATION REGARDING ITS PROCUREMENT NEEDS FOR EQUIPMENT, MATERIAL, TECHNOLOGY AND SERVICES, WILL BE PREPARED BY THE INTERNATIONAL ENERGY AGENCY SECRETARIAT IN COLLABORATION WITH THE MEMBER COUNTRY CONCERNED AND TRANSMITTED TO THE POTENTIAL SUPPLIERS OF ALL MEMBERS.

B. THE SECOND STEP: FINANCING MECHANISM

6. ONCE THESE PROJECTS ARE THUS SELECTED AND INFORMA-
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TION GIVEN TO POTENTIAL SUPPLIERS OF MATERIAL, EQUIPMENT AND TECHNOLOGY, A POOLING OF THE POTENTIAL AND/OR ALREADY AVAILABLE TECHNOLOGICAL AND FINANCIAL RESOURCES WOULD BE A SECOND BUT IMMINENT PHASE.

7. FIRST, ALL INTERESTED GOVERNMENTS OR FIRMS WOULD INDICATE THEIR WILL TO UNDERTAKE THE PROJECTS SELECTED FROM AMONG THOSE PRESENTED BY THEM AS IN PARA 3 AS SOON

AS THE EXTERNAL FINANCING AND NECESSARY TECHNOLOGY HAVE
BEEN PROVIDED.

POOLING THE FINANCIAL RESOURCES

8. THEN EACH GOVERNMENT AND/OR FIRM WILL DESIGNATE IN
ACCORDANCE WITH ITS OWN CHOICE AN INVESTMENT BANK OR AN
EX-IM BANK, OR EVEN A COMMERCIAL BANK, TO CARRY OUT THE
FOLLOWING ACTION:

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C O N F I D E N T I A L SECTION 02 OF 03 OECD PARIS 10173

(A) THE REPRESENTATIVES OF THESE FINANCIAL INSTI-
TUTIONS WILL CONVENE IN ONE OF THE MAIN, WELL-
ESTABLISHED INTERNATIONAL CAPITAL MARKETS AT
THEIR EARLIEST CONVENIENCE;

(B) THEY WILL RAPIDLY ESTABLISH A JOINT ENERGY

INVESTMENT BANK OR INVESTMENT CORPORATION OR
CONSORTIUM, AS PARTNERS;

(C) EACH PARTNER WOULD COMMIT ITSELF TO A CONTRI-
BUTION WITHIN A GENERAL QUOTA SYSTEM;

(D) INDIVIDUAL QUOTAS WOULD NOT BE HIGHER FOR EACH
PARTNER THAN THE TOTAL SUM OF THE PROJECTS
SUBMITTED BY IT FOR CONSIDERATION AND SELECTED
AS IN PARAS 3 AND 4;

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(E) THUS THE OVERALL SUM OF ALL QUOTAS WOULD NOT
EXCEED THE TOTAL COST OF THE PROJECTS SELECTED
FOR BACKING AS IN PARA 4 ABOVE.

THE INTERMEDIATE FINANCING BODY

9. AT ITS FIRST MEETING, THE BOARD OF GOVERNORS OF THE
NEWLY-FORMED JOINT ENERGY INVESTMENT GROUP WILL ENGAGE
IN A SERVICE CONTRACT WITH A FINANCING ESTABLISHMENT OF
INTERNATIONAL EXPERIENCE AND RENOWN. THIS SERVICING
AGENT SHOULD NOT NECESSARILY BE ONE ESTABLISHMENT; A
GROUP OF SUCH ESTABLISHMENTS MAY ALSO UNDERTAKE TO CARRY
OUT THE SERVICE CONTRACT. THIS INTERMEDIARY WOULD CARRY
OUT THE ADMINISTRATIVE AND BANKING SERVICES FOR THE
JOINT ENERGY INVESTMENT GROUP AS ITS AGENT AT A REASON-
ABLE FEE.

ISSUING BONDS

10. THE JOINT ENERGY INVESTMENT GROUP WOULD THEN ISSUE
BONDS TO BE HANDLED BY THIS AGENT REFERRED TO IN PARA 9
ABOVE:

(A) THE TOTAL NOMINAL VALUE OF THESE BONDS WOULD
CORRESPOND TO THE TOTAL FINANCING REQUIRED FOR
THE PROJECTS SELECTED AS IN PARA 4 ABOVE;

(B) THEIR YIELD WOULD, OF COURSE, BE DETERMINED BY
THE MARKET CONDITIONS PREVAILING AT THE TIME
OF ISSUE. TO RENDER THE BONDS MORE ATTRACTIVE,
A SOMEWHAT HIGHER RATE OF INTEREST THAN THAT
OF THE MARKET MAY BE ENVISAGED WITHIN A WORK-
ABLE GENERAL SYSTEM.

(C) THESE BONDS WOULD BE RELEASED IN THE WESTERN
FINANCIAL MARKET AND BANKING SYSTEM AIMING AT
ATTRACTING THE FUNDS AND CLAIMS ACCUMULATING

WITHIN THE WESTERN PRIVATE FINANCIAL AND BANK-
ING SYSTEM.

(D) THE MATURITY OF THE BONDS WOULD BE IN LINE
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WITH TERMS ACCEPTED BY THE IBRD.

USING THE PROCEEDS

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12. THE SHARE OF EACH PARTNER FROM THE BURDEN OF THIS
OPERATION WOULD BE IN DIRECT PROPORTION TO THE FOLLOWING:

(TO SOFTEN THIS BURDEN, PARTICULARLY FOR PRIVATE FIRMS OR COMPANIES BECOMING PARTNERS IN THE INVESTMENT GROUP, SPECIAL SUBSIDIES OR SIMILAR MEASURES MAY BE ENVISAGED IN ACCORDANCE WITH THE LEGAL AND COMMERCIAL SYSTEMS OR PRACTICES OF EACH COUNTRY.)

(A) THE VALUE OF THE PROCUREMENT CONTRACTS OBTAINED BY EACH COUNTRY FOR THE IMPLEMENTATION OF THE SELECTED PROJECTS;

(B) THE SHARE OF CREDITS SECURED BY EACH MEMBER COUNTRY FROM THE JOINT ENERGY INVESTMENT GROUP FOR ITS PROJECTS;

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(C) THE PER CAPITA GDP OF EACH MEMBER COUNTRY;

(D) THE RATIO OF PER CAPITA ENERGY CONSUMPTION WITHIN THE PER CAPITA GDP.

PROPOSAL

THE GOVERNING BOARD IS EXPECTED TO TAKE THE NECESSARY STEPS FOR THE INITIATION OF AGENCY WORK ON THE ABOVE LINES. END TEXT
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